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Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 EB-08 /023 W
----------046146 182240Z /15
P R 181855Z AUG 78
FM AMCONSUL MARACAIBO
TO USDOC WASHDC PRIORITY
SECSTATE WASHDC 0420
INFO AMEMBASSY CARACAS

UNCLAS SECTION 1 OF 2 MARACAIBO 0110

E.O. 11652: NA
TAGS: BENC/VE
SUBJECT: MAJOR PROJECTS: PREQUALIFICATION FOR ENELVEN COAL
FIRED THERMAL PLANT

COMMERCE FOR MAJOR PROJECTS

1. ON AUGUST 23, 1978 ENELVEN, MARACAIBO S ELECTRIC UTILITY COMPANY, WILL PUBLISH INVITATIONS TO PREQUALIFY FOR FOREIGN FIRMS FOR THE PROJECTED COAL FIRED POWER PLANT ENGINEERING AND CONSULTING SERVICES. THE CONTRACT WILL COVER SERVICES FOR THE FIRST TWO UNITS OF 250 MEGAWATTS EACH. ENELVEN ESTIMATES THAT THE VALUE OF THE CONTRACT WILL BE ON THE ORDER OF 4-5 PER CENT OF THE TOTAL VALUE OF THE PROJECT, OR SOME DOLS 15 MILLION.

2. THE TIME SCHEDULE FOR THE PREQUALIFICATION BID WILL BE AS FOLLOWS:
A. AUGUST 23 INVITATION TO FOREIGN COMPANIES TO PREQUALIFY.
B. OCTOBER 23 PRESENTATION OF DOCUMENTS BY THOSE COMPANIES INTERESTED IN PREQUALIFYING.
C. IN EARLY JANUARY 1979 ENELVEN WILL ANNOUNCE THOSE FIRMS THAT HAVE PREQUALIFIED AND PROVIDE THEM SPECIFICATIONS TO MAKE THEIR BID.
D. THE BIDDING COMPANIES WILL REQUIRE TWO, PROBABLY THREE
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MONTHS, TO PREPARE BIDS.
E. ENELVEN WILL REQUIRE TWO TO THREE MONTHS TO SELECT THE WINNER. THUS, FINAL SELECTION OF ENGINEERING AND CONSULTING FIRM WILL NOT BE MADE UNTIL MAY OR JUNE, 1979.

3. OUR CONTACTS IN ENELVEN STRESS TWO POINTS:
A. THOSE FOREIGN FIRMS WHICH ASSOCIATE THEMSELVES WITH VENE-

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ZUELAN FIRMS WILL PROBABLY HAVE A BETTER CHANCE IN THE BIDDING PROCESS.

B. ENELVEN, BECAUSE OF THE COST OF THE CONTRACT, WILL TRY TO INCLUDE THE ENGINEERING AND CONSULTING IN THE OVERALL PROJECT FINANCING WHEN IT STARTS TO BUY EQUIPMENT FOR THE POWER PLANT.

4. WE CONCLUDE THAT THIS CONTRACT COULD BE VERY IMPORTANT IN THE FINAL SELECTION OF EQUIPMENT. THUS, IF AN AMERICAN ENGINEERING FIRM IS SUCCESSFUL, THE CHANCES THAT ENELVEN WILL BUY AMERICAN EQUIPMENT WOULD BE CONSIDERABLY INCREASED. THE REASONS ARE:

A. AMERICAN FIRMS WILL PROBABLY HAVE A PREFERENCE FOR AMERICAN EQUIPMENT.

B. MORE IMPORTANT, ENELVEN COULD FINANCE THE COST OF THE ENGINEERING AND CONSULTING SERVICES CONTRACT IN EX-IM LOANS FOR THE PURCHASE OF AMERICAN EQUIPMENT.

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5. WE HAVE LEARNED THAT THE EVENTURAL BIDDING ON THE POWER PLANT WILL BE ON A "TURBINE ISLAND" BASIS. THAT IS, ONE CONTRACT WILL BE FOR THE COMPLETE TURBINE INSTALLATION, ANOTHER FOR THE BOILER, STILL ANOTHER FOR THE COAL HANDLING EQUIPMENT, ETC. WE UNDERSTAND THAT THIS TYPE OF BIDDING WILL BE MORE ATTRACTIVE FOR AMERICAN SUPPLIERS, WHO, APPARENTLY, HAVE SOME DIFFICULTY COMPETING FOR FULL "TURN-KEY" PROJECTS WITH THEIR FOREIGN COMPETITORS.

6. ON A MORE CAUTIONARY NOTE, OUR CONTACTS IN ENELVEN HAVE COMPLAINED TO US THAT THEY FIND THE EFFORTS OF AMERICAN COMPANIES AS COMPARED TO THEIR EUROPEAN AND JAPANESE COMPETITORS TO BE SOMEWHAT CLUMSY AND NAIVE. THE AMERICANS ARE OFTEN LATE WITH THEIR PRESENTATIONS, DO VERY LITTLE TO SELL THEIR PRODUCTS, DO

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NOT ANSWER COMPLETELY THE QUESTIONS ASKED FOR IN PREQUALIFICATION
BIDS AND DO NOT TAKE THE TIME TO STUDY THEIR MARKET AND THEIR
CUSTOMER. THE RESULT IS THAT THE AMERICANS MAKE A BAD IMPRESSION
AND NEEDLESS MISTAKES WITH THEIR APPARENTLY INEPT BEHAVIOR.
ENELVEN S PREFERENCE IN THIS PROJECT IS VERY CLEARLY FOR AMERICAN
TECHNOLOGY AND EQUIPMENT. IF AMERICAN COMPANIES FAIL TO WIN A
LION S SHARE OF THE CONTRACTS IN THIS PROJECT, U.S. SUPPLIERS
WILL HAVE SNATCHED DEFEAT OUT OF THE JAWS OF VICTORY.
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